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Report Highlights:

In 2003 the European Union was a net importer of beef. The reason for this was the high Euro rate and the fact that the beef sector has not completely recovered from the BSE crises.

The pig meat sector was troubled by high prices for feed low prices for the products and the Russian Tariff Rate Quota. To regain stabilization in the pig meat sector the Commission has taken different measures. In 2003 the Commission introduced Private Storage Aid and in January 2004 export refunds for pig meat export to third countries was reintroduced.

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EXECUTIVE SUMMARY

EU beef exports declined by more than 20 percent in 2003, mainly due to reduced exports from Germany and Ireland. Decline also resulted from import quotas in Russia and the high Euro/dollar exchange rate.

Pig meat consumption increased in 2003 in response to lower prices, however, not as much as previously expected. This is due to the consumers economic situation and the lack of a complete recovery in the beef sector.

In January 2004 the Commission reintroduced export refunds for pig meat to third countries. These refunds are not eligible for all products. The reintroduction of pig meat export refunds is intended to rebalance the EU market.

In May of this year the EU will increase to 25 Member States. One of the impacts on the meat sector might be that many of these new Member States could temporarily ship live animals to slaughterhouses in the EU-15, as slaughter houses in some accession countries may not immediately meet the EU sanitary requirements. This will allow meat to have immediate access to the European market.

In 2004 we could also begin to see posturing for EU Member States in anticipation of CAP reform, which could indirectly effect the pig meat sector through cereal and feed prices. Additionally the substitution of lower priced pig meat replacing high beef prices on the EU market will continue to be consumer driven.

CATTLE

Commodity	Animal Numbers, Cattle (1000 HEAD)					
	Revised 2002		Preliminary 2003		Forecast 2004	
	Old	New	Old	New	Old	New
Market Year Begin	01/2002		01/2003		01/2004	
Total Cattle Beg. Stks	80,184	80,184	78,944	78,944	78,081	78,000
Dairy Cows Beg. Stocks	20,488	20,488	20,157	20,157	19,880	19,850
Beef Cows Beg. Stocks	13,085	13,085	12,988	12,988	12,997	12,900
Production (Calf Crop)	27,149	27,149	27,070	26,982	26,958	26,520
Extra EC Imports	509	509	501	508	560	510
TOTAL SUPPLY	107,842	107,842	106,515	106,434	105,599	105,030
Extra EC Exports	259	259	253	231	271	240
Cow Slaughter	7,070	7,070	6,847	6,793	6,718	6,775
Calf Slaughter	5,538	5,538	5,456	5,528	5,432	5,425
Total Slaughter	26,643	26,643	26,464	26,300	26,253	26,350
Loss	1,996	1,996	1,717	1,903	1,750	1,840
Ending Inventories	78,944	78,944	78,081	78,000	77,325	76,600
TOTAL DISTRIBUTION	107,842	107,842	106,515	106,434	105,599	105,030

*Source: FAS EU-15 Post Information

In 2003 EU cattle exports were lower than expected because of the high Euro exchange rate.

The impact of the summer drought on total cattle slaughter was minimal.

The 2004 calf crop is anticipated to decline from previous years in line with decreasing beginning stocks. The end of the slaughter premium as a result of the decoupling in the CAP reform is expected to increase slaughters in Italy, Denmark, Germany and the United Kingdom. For the UK this will be the case assuming UK maintains its OTMS (Over Thirty Month Scheme) through 2004. In Italy the restructuring of the milk quota system may reinforce slaughters. Germany plans to implement decoupling through regional premia attached to arable land rather than through a single farm payment. This is projected to reduce profitability of beef production and is therefore expected to result in lower ending inventories.

As a result of increased milk production per cow, overall cattle ending inventories are expected to decrease further, resulting in less beef from milk cows entering the market.

EU cattle imports in 2004 are expected to remain unchanged from the 2003 level.

EU cattle exports in 2004 are expected to slightly recover as markets in the Middle East are expected to resume importing European cattle, combined with the anticipation that the Euro exchange rate may weaken.

Cattle calf crop production (EU and top 3 Member States) –000’ head

	2003	2004
Total EU	26,982	26,520
France	6,800	6,734
Germany	4,862	4,750
United Kingdom	3,137	3,285
Other Member States	12,183	11,751

EU cattle slaughter data (EU and top 3 Member States) –000’ head

	2003	2003
Total EU	26,300	26,350
France	5,662	5,680
Italy	4,287	4,531
Germany	4,000	3,900
Other Member States	12,351	12,239

EU cattle exports (EU and top 3 Member States) –000’ head

	20003	20004
Total EU	231	240
Germany	100	100
France	70	75
Ireland	38	40
Other Member States	23	25

BEEF

Commodity	Meat, Beef and Veal (1000 MT CWE ¹)(1000 HEAD)					
	Revised 2002		Preliminary 2003		Forecast 2004	
	Old	New	Old	New	Old	New
Market Year Begin	01/2002		01/2003		01/2004	
Slaughter (Reference)	26,643	26,643	26,464	26,300	26,253	26,350
Beginning Stocks	249	249	204	204	30	14
Production	7,456	7,456	7,360	7,300	7,330	7,336
Extra EC Imports	518	518	520	550	530	560
TOTAL SUPPLY	8,223	8,223	8,084	8,054	7,890	7,910
Extra EC Exports	512	512	456	400	440	360
TOTAL Domestic Use	7,507	7,507	7,598	7,640	7,450	7,550
Ending Stocks	204	204	30	14	0	0
TOTAL DISTRIBUTION	8,223	8,223	8,084	8,054	7,890	7,910

*Source: FAS EU-15 Post Information.

Note: All figures have been converted to CWE. Stock figures reflect EU-intervention stocks only. Commercial stocks are included under "total domestic use."

In 2003 beef production declined in the EU as a consequence of lower slaughter numbers. Human consumption of beef continued its upward trend as consumers regained confidence in beef after the BSE crisis. The number of cows infected with BSE in Europe dropped by 41% in 2003.

Except for a small volume in France, most of the intervention stock of beef was sold during the year.

Beef imports from third countries increased by 6 percent, which is higher than previously forecast. The most significant import increases were in Netherlands, UK and Italy. These imports mainly consist of beef produced in South America (primarily Brazil and Argentina) and imported under TRQs². South American beef was so price competitive, that some of it was imported above quota with the full tariff rates applied.

Beef exports in 2003 declined by more than 20 percent. This decline was mainly due to reduced exports of beef from Germany and Ireland. Quotas hampered Irish beef exports to Russia, while Irish exports to Egypt did not resume in any significant quantity despite most of the restrictions related to BSE being relaxed. An important factor in the reduced exports is reportedly, the reduced supply and the high domestic price of beef in combination with the high Euro/US\$ Dollar exchange rate.

¹ CWE- Carcass Weight Equivalent

² Tariff Rate Quotas

In 2004 beef production is expected to increase marginally in line with increased slaughters. However, increasing domestic prices are expected to have a negative effect on beef consumption in 2004.

The 2004 beef forecast is expected to follow the same trend as in 2003 with a 2 percent increase in imports.

In 2004 beef exports are forecast to decline due to an anticipated reduced availability of beef and the lack of competitiveness on the world market. It is believed that the EU will not benefit from restrictions laid upon U.S. beef exports since the EU and the U.S. compete primarily in different markets.

EU Beef production (EU and top 3 Member States) –000 MT

	2003	2004
Total EU	7,300	7,336
France	1,605	1,605
Germany	1,230	1,200
Italy	1,137	1,196
Other Member States	3,328	5,727

EU Beef consumption data (EU and top 3 Member States) –000 MT

	2003	2004
Total EU	7,640	7,550
France	1,615	1,592
Italy	1,407	1,440
UK	1,118	1,125
Other Member States	3,500	3,393

EU Beef exports (EU and top 3 Member States) –000 MT

	2003	2004
Total EU	400	360
Ireland	85	120
Germany	75	70
Italy	54	54
Other Member States	186	116

SWINE

Commodity	Animal Numbers, Swine (1000 HEAD)					
	Revised 2002		Preliminary 2003		Forecast 2004	
	Old	New	Old	New	Old	New
Market Year Begin	01/2002		01/2003		01/2004	
TOTAL Beginning Stocks	122,191	122,191	121,462	121,462	121,000	120,400
Sow Beginning Stocks	11,694	11,694	11,417	11,397	11,380	11,320
Production (Pig Crop)	216,360	215,529	215,000	215,000	215,300	214,700
Extra EC Imports	1	1	0	0	0	0
TOTAL SUPPLY	338,552	337,721	336,462	336,462	336,300	335,100
Extra EC Exports	101	101	90	62	100	70
Sow Slaughter	4,450	4,450	4,350	4,400	4,330	4,350
Total Slaughter	204,387	203,556	204,300	203,500	204,600	203,400
Loss	12,602	12,602	11,072	12,500	10,600	11,430
Ending Inventories	121,462	121,462	121,000	120,400	121,000	120,200
TOTAL DISTRIBUTION	338,552	337,721	336,462	336,462	336,300	335,100

*Source: FAS EU-15 Post Information

In 2003 total swine slaughter as well as ending inventories were lower than originally forecast. This could partly be attributed to last years drought and higher swine mortality due to PWMS³ in the UK.

In 2004, the pig crop continues to show a reduction trend in Europe. This is caused by the fact that increasing feeding costs are not counterbalanced by marginal price increases.

Total supply is expected to go down in 2004 as a result of the lower beginning inventories and lower estimated production for the year.

The 2004 forecast for slaughter is down from the previous report due to reductions in France and Belgium. In the other countries slaughter is expected to be stable or slightly up from the previous forecast. Pig crop/sow ratio is expected to increase in 2004 due to technical increases in fertility and due to lower mortality rates, especially in the UK.

Large increases in EU pig production could result from the May 1, 2004 accession. This is forecast due to pig producing countries such as Poland, Hungary and the Czech Republic entering the EU common market.

EU Pig Crop production (EU and top 3 Member States) –'000 head

³ Post Weaning Multisystemic Wasting Syndrome

	2003	2004
Total EU	215,000	214,700
Germany	43,420	43,855
Spain	38,502	38,500
Denmark*	26,481	26,750
Other Member States	106,597	105,595

* Denmark surpassed France slightly.

EU Pig slaughter data (EU and top 3 Member States) –‘000 head

	2003	2004
Total EU	203,500	203,400
Germany	45,620	46,050
Spain	38,200	38,150
France	25,870	25,680
Other Member States	93,810	93,520

EU Pig exports (EU and top 3 Member States) –‘000 head

	2003	2004
Total EU	62	70
Germany	30	30
Netherlands	15	20
Austria	12	15
Other Member States	5	5

PIG MEAT

Commodity	Pig meat (1000 MT CWE)(1000 HEAD)					
	Revised 2002		Preliminary 2003		Forecast 2004	
	Old	New	Old	New	Old	New
Market Year Begin	01/2002		01/2003		01/2004	
Slaughter (Reference)	204,387	203,556	204,300	203,500	204,600	203,400
Beginning Stocks	0	0	30	30	0	0
Production	17,825	17,780	17,850	17,800	17,900	17,800
Extra EC Imports	65	65	60	70	60	70
TOTAL SUPPLY	17,890	17,845	17,940	17,900	17,960	17,870
Extra EC Exports	1,194	1,194	1,000	1,150	960	1,140
TOTAL Domestic Use	16,666	16,621	16,940	16,750	17,000	16,730
Ending Stocks	30	30	0	0	0	0
TOTAL DISTRIBUTION	17,890	17,845	17,940	17,900	17,960	17,870

*Source: FAS EU-15 Post Information

Note: All figures have been converted to CWE. Stock figures reflect EU-intervention stocks only. Commercial stocks are included under "total domestic use."

Pig meat consumption increased in 2003 in response to lower prices, however, not as much as previously anticipated. This is due to the economic situation of the consumers, and the fact that the beef sector is recovering from the BSE crises.

In 2003 there was a reduction of pig meat exports from Germany and Denmark to Russia as a result of the Tariff Rate Quota (TRQ). However exports to the US were higher than originally estimated.

Private Storage Aid (PSA) was introduced in late December 2003 an estimated 77 000t of pig meat have been bought into private storage since the green light was given by the EU Commission. PSA has stopped the fall in prices and stabilized prices. Prices are at a very low level, and there is still no sign of them picking up. The Commission emphasizes that the reintroduction of export refunds is for a limited period only (through April 2004).

The Commission pronounces the causes of the current crisis as an excessively strong Euro, high feed prices produced by last summer's drought, and low consumer demand, in addition to normal cyclical fluctuations.

The Commission introduced refunds for pig meat exports in late January 2004. This action will be applied during the coming weeks. Export refunds are not eligible for all kinds of pig meat but for half carcasses and some cuts. The export refunds do not include Danish exports to Japan. The export refunds do not include the 10 acceding countries or the two applicant countries Bulgaria and Romania.

For EU pig meat exports the Euro/dollar situation is resulting in low prices for exports. In addition Brazil continues to be a major competitor on the EU market, offering cheaper pig meat.

In 2004 a slight reduction in the number of swine slaughters is anticipated. This is expected to be compensated by higher slaughter weights.

Imports are expected to remain stable, while exports are anticipated to decrease slightly compared to 2003 levels.

Looking further the EU Commission saw a more positive outlook for pig meat. With the EU's enlargement to 25 countries in May, consumption is expected to rise by about 28%, but production should only increase by 20-25%. In the ten new member states, demand might rise by a further 12% by 2009 because of the expected growth in disposable incomes.

While existing EU Member States with large pig sectors are set to profit from enlargement, the new member states stand to gain less if they cannot overhaul their agricultural production as a whole.

EU Pig Meat production (EU and top 3 Member States)-'000 MT

	2003	2004
Total EU	17,800	17,800
Germany	4,250	4,290
Spain	3,215	3,200
France	2,080	2,075
Other Member States	8,255	8,235

EU Pig Meat consumption (EU and top 3 Member States)-'000 MT

	2003	2004
Total EU	16,750	16,730
Germany	4,550	4,770
Spain	2,723	2,725
Italy	2,274	2,230
Other Member States	7,203	7,005

EU Pig Meat exports (EU and top 3 Member States)-'000 MT

	2003	2004
Total EU	1,150	1,140
Denmark	485	490
Germany	95	90
France	90	90
Other Member States	480	470

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OTHER RELATED REPORTS

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EI 3008	High on-farm death-rate of cattle sparks investigation
FR 3046	Impact of Drought on 2003 French Agricultural Production
GM 4002	BSE in Germany – update covering 2003
IT 4003	BSE and Blue Tongue update
PO 4001	SVD Outbreak in Portugal
PO 4002	New Scrapie Strain Identified in Portugal
SW 3008	Salmonella Outbreak in Sweden
UK 3018	Possible Changes to the UK's BSE Controls Ahead